



Chino Basin Watermaster

Annual Financial Report

For the Fiscal Years Ended June 30, 2025 and 2024

Our Mission Statement

“To manage the Chino Groundwater Basin in the most beneficial manner and to equitably administer and enforce the provisions of the Chino Basin Watermaster Judgment”

Chino Basin Watermaster

Watermaster Board as of June 30, 2025

<u>Represents</u>	<u>Name</u>	<u>Title</u>
Appropriative	James Curatalo	Chair
Agricultural	Jeff Pierson	Vice-Chair
Non-Agricultural	Bob Bowcock	Secretary/Treasurer
Appropriative	Bill Velto	Member
Appropriative	Marty Zvirbulis	Member
Agricultural	Jimmy Medrano	Member
Municipal	Steve Elie	Member
Municipal	Mike Gardner	Member
Municipal	Bob Kuhn	Member

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Rancho Cucamonga, California 91730
(909) 484-3888
www.cbwm.org**

Chino Basin Watermaster

Annual Financial Report

For the Fiscal Years Ended June 30, 2025 and 2024

**Chino Basin Watermaster
Annual Financial Report
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Introductory Section



October 23, 2025

Chino Basin Watermaster Board

Introduction

It is our pleasure to submit the Annual Financial Report for the Chino Basin Watermaster (Watermaster) for the fiscal years ended June 30, 2025 and 2024, following guidelines set forth by the Governmental Accounting Standards Board. The Watermaster is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the Watermaster's financial position and activities.

This report is organized into four sections: (1) Introductory, (2) Financial, (3) Required Supplementary Information and (4) Supplemental. The Introductory section offers general information about the Watermaster's organization and current Watermaster activities and reports on a summary of significant financial results. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis of the Watermaster's basic financial statements, and the Watermaster's audited basic financial statements with accompanying Notes. The Required Supplementary Information section includes the schedules of changes in Other Post Employment Benefits (OPEB) liabilities and CalPERS Pension contributions. The Supplemental section includes combining net position and revenue and expense schedules.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Watermaster's MD&A can be found immediately after the Independent Auditor's Report.

Watermaster Structure and Leadership

The Chino Basin Watermaster ("Watermaster") was established under a judgment entered in Superior Court of the State of California for the County of San Bernardino as a result of Case No. RCVRS 51010 (formerly Case No. SCV 164327) entitled "Chino Basin Municipal Water District v. City of Chino, et al.", signed by the Honorable Judge Howard B. Weiner on January 27, 1978. The effective date of this Judgment for accounting and operations was July 1, 1977. Under the Judgment, three Pool committees were formed: (1) Overlying (Agricultural) Pool which includes the State of California and all producers of water for overlying uses other than industrial or commercial purposes; (2) Overlying (Non-Agricultural) Pool which represents producers of water for overlying industrial or commercial purposes; and (3) Appropriative Pool which represents cities, special districts, other public or private entities and utilities. The three Pools act together to form the "Advisory Committee". Pursuant to the Judgment, the Chino Basin Municipal Water District (CBMWD) five-member Watermaster Board Members was initially appointed as "Watermaster". Pursuant to a recommendation of the Advisory Committee, the Honorable J. Michael Gunn appointed a nine-member board as Watermaster on February 19, 1998 thereby creating an independent Watermaster separate from the CBMWD.

Watermaster Structure and Leadership, continued

The General Manager administers the day-to-day operations of the Watermaster in accordance with policies and procedures established by the Board. The Watermaster staff includes eleven regular, full-time employees. Each of the Watermaster's three Pools Committees, the Advisory Committee, and the Board meet monthly to hear various reports and offer advice, assistance, or approval, relating to the matters of the Watermaster.

Watermaster Mission and Services

Chino Basin Watermaster's mission is "To manage the Chino Groundwater Basin in the most beneficial manner and to equitably administer and enforce the provisions of the Chino Basin Watermaster Judgment", Case No. RCVRS 51010 (formerly Case No. SCV 164327). The Watermaster is charged with managing the 1978 Chino Basin Judgment and subsequent orders of the Court concerning the Groundwater Basin service area including accounting for water appropriations by acre footage of water produced, stored, exchanged, or replenished, by parties to the Judgment, purchasing of replenishment water, groundwater monitoring and implementation of special projects. The Watermaster is progressively and actively implementing the Basin's Optimum Basin Management Program Update (OBMPU) which includes extensive monitoring, partnering with Judgment parties to develop additional groundwater and stormwater recharge capabilities, storage and recovery programs, managing salt loads, evaluating the safe yield of the basin and protecting and enhancing this significant natural resource. In 2019, Watermaster began the work to update the OBMP which was originally adopted in 2000. The updated OBMP will provide the necessary basin management framework over the next 20 years to enhance Basin water supplies, protect and enhance water quality, and enhance Basin management overall. After an intensive stakeholder engagement process, the Watermaster Board adopted the 2020 OBMP on October 22, 2020. The Subsequent Environmental Impact Report (SEIR) needed for the OBMPU for which, the Inland Empire Utilities Agency (IEUA), Watermaster's partner in basin management, is the lead agency, and was completed in February of 2024.

Watermaster costs are allocated to the Pools based on various formulas using the prior year's production volume and the party's share of operating safe yield, and the percentage of water reallocated to the Appropriative Pool from the Overlying (Agricultural) Pool. Pursuant to the agreements in place and as prescribed in the Judgment, the Overlying (Agricultural) Pool does not pay assessments as those are covered by the Appropriative Pool.

Economic Condition and Outlook

The Watermaster's office is located in the City of Rancho Cucamonga in San Bernardino County which has experienced tempered economic growth within the region. The economic outlook for the Southern California region is one of cautious growth.

Internal Control Structure

Watermaster management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the Watermaster are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data that is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Watermaster's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The Advisory Committee annually approves, and the Board annually adopts an operating budget prior to the new fiscal year per the terms of the Judgment. The budget authorizes and provides the basis for reporting and controlling financial operations and accountability for the Watermaster's enterprise operations. The budgeting and reporting treatment applied to the Watermaster is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board has adopted an investment policy that conforms to state law, Watermaster's ordinance and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity and yield. Watermaster funds are invested in the State Treasurer's Local Agency Investment Fund (LAIF), with California Cooperative Liquid Assets Securities System (CLASS), and financial institutions that offer safety, daily and next-day liquidity, and optimized returns catered to California public agencies.

Water Rates and Watermaster Revenues

The Judgment prescribes Watermaster's authority and specifies classes of water production assessments to be used to fund certain activities. Those assessment categories are: Administration, Optimum Basin Management Program, Special Projects, and Replenishment. Each class of assessment has a prescribed purpose and is based on a percentage of water produced. Assessment revenue is Watermaster's principal source of income.

Audit and Financial Reporting

State Law requires the Watermaster to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of C.J. Brown & Company, CPAs – An Accountancy Corporation, has conducted the audit of the Watermaster's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

Preparation of this report was accomplished by the combined efforts of the Watermaster staff. We appreciate the dedicated efforts of Ms. Daniela Uriarte, Senior Accountant, and staff members who contributed to the annual audit processes and to the Watermaster overall. We would also like to thank the members of the Board for their continued support in planning and ensuring sound implementation of the Chino Basin Watermaster's fiscal policies.

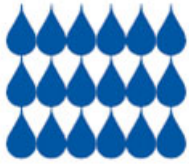
Respectfully submitted,

Todd M. Corbin
General Manager

Anna T. Nelson
Director of Administration

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Financial Section



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Independent Auditor's Report

Watermaster Board Members
Chino Basin Watermaster
Rancho Cucamonga, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Chino Basin Watermaster (Watermaster) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Watermaster's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Watermaster, as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Watermaster's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Watermaster's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Watermaster's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Emphasis-of-Matter

As discussed in Note 10 to the financial statements, the Watermaster has adopted the provisions of *GASB Statement No. 101 – Compensated Absences*. As a result, Watermaster has restated its net position to reflect the effects of the change in accounting policy. Our opinion is not modified with respect to this matter.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 12 and the required supplementary information on pages 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Watermaster's basic financial statements. The combining schedules of net position and combining schedules of revenue, expenses, and changes in net position on pages 46 through 49, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of revenue, expenses, and changes in net position are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section on pages 1 through 3 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Independent Auditor's Report, continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025, on our consideration of the Watermaster's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Watermaster's internal control over financial reporting and compliance. This report can be found on pages 50 and 51.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

October 23, 2025

Chino Basin Watermaster
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2025 and 2024

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Chino Basin Watermaster (Watermaster) provides an introduction to the financial statements of the Watermaster for the fiscal years ended June 30, 2025 and 2024. We encourage readers to consider the information presented here with additional information that we have furnished in conjunction with the transmittal letter in the Introductory Section and with the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2025, the Watermaster's net position increased by 1.45% or \$154,907 to \$10,807,477 as a result of ongoing operations. In 2024, the Watermaster's net position decreased by 18.21% or \$2,371,914 to \$10,652,570 as a result of ongoing operations. Please see Note 10 for further discussion.
- In 2025, the Watermaster's operating revenues decreased by 1.46% or \$151,501 to \$10,249,753. The Watermaster's operating revenues decreased by 3.08% or \$330,749 to \$10,401,254 in 2024.
- In 2025, the Watermaster's non-operating revenues decreased by 23.11% or \$168,229 to \$559,637. The Watermaster's non-operating revenues increased by 113.47% or \$386,897 to \$727,866 in 2024.
- In 2025, the Watermaster's operating expenses decreased by 11.31% or \$1,329,606 to \$10,424,955. The Watermaster's operating expenses increased by 40% or \$3,357,992 to \$11,754,561 in 2024.
- In 2025, the Watermaster's non-operating expenses decreased 98.75% or \$1,544,809 to \$19,571. The Watermaster's non-operating expenses increased 778.87% or \$1,386,380 to \$1,564,380 in 2024.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the Watermaster using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Watermaster's investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Watermaster and assessing the liquidity and financial flexibility of the Watermaster. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the outcome of the Watermaster's operations over the past year and can be used to determine if the Watermaster has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Watermaster's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Watermaster

One of the most important questions asked about the Watermaster's finances is, "Is the Watermaster better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Watermaster in a way that helps answer this question.

Chino Basin Watermaster
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Financial Analysis of the Watermaster, continued

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Watermaster's *net position* and changes in it. You can think of the Watermaster's net position – assets and deferred outflow of resources, less liabilities and deferred inflows of resources – as one way to measure the Watermaster's financial health, or *financial position*. Over time, *increases or decreases* in an organization's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in federal and state water quality standards. The Watermaster is funded on an annual basis through a court-mandated process.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 17 through 41.

Statements of Net Position

Condensed Statements of Net Position					
	2025	2024	Change	2023	Change
Assets:					
Current assets	\$ 13,470,007	13,091,179	378,828	15,417,627	(2,326,448)
Capital assets, net	1,144,851	983,347	161,504	196,878	786,469
Total assets	14,614,858	14,074,526	540,332	15,614,505	(1,539,979)
Deferred outflows of resources	746,464	902,988	(156,524)	863,919	39,069
Liabilities:					
Current liabilities	1,666,043	1,317,887	348,156	718,737	599,150
Non-current liabilities	2,739,205	2,867,140	(127,935)	2,600,947	266,193
Total liabilities	4,405,248	4,185,027	220,221	3,319,684	865,343
Deferred inflows of resources	148,597	139,917	8,680	9,861	130,056
Net position:					
Net investment in capital assets	433,913	167,003	266,910	145,069	21,934
Unrestricted	10,373,564	10,485,567	(112,003)	12,879,415	(2,393,848)
Total net position	\$ 10,807,477	10,652,570	154,907	13,024,484	(2,371,914)

As noted earlier, net position may serve over time as a useful indicator of an organization's financial position. In the case of the Watermaster, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,807,477 and \$10,652,570 as of June 30, 2025 and 2024, respectively.

Chino Basin Watermaster
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Statements of Net Position, continued

Compared to prior year, net position of the Watermaster increased by 1.45% or \$154,907. The Watermaster's total net position is made up of three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

A portion of the Watermaster's net position, 4.01% and 1.57%, as of June 30, 2025 and 2024, respectively, reflects the Watermaster's investment in capital assets (net of accumulated depreciation) less any related debt (where applicable) used to acquire those assets that is still outstanding. The Watermaster uses these capital assets to provide services to customers within the Watermaster's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2025 and 2024, the Watermaster reflected a positive balance in its unrestricted net position of \$10,373,564 and \$10,485,567, respectively, that may be utilized in future years. See note 11 for further discussion.

Statements of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>2023</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 10,249,753	10,401,254	(151,501)	10,732,003	(330,749)
Non-operating revenues	<u>559,637</u>	<u>727,866</u>	<u>(168,229)</u>	<u>340,969</u>	<u>386,897</u>
Total revenues	<u>10,809,390</u>	<u>11,129,120</u>	<u>(319,730)</u>	<u>11,072,972</u>	<u>56,148</u>
Expenses:					
Operating expense	10,424,955	11,754,561	(1,329,606)	8,396,569	3,357,992
Depreciation	209,957	182,093	27,864	143,842	38,251
Non-operating expense	<u>19,571</u>	<u>1,564,380</u>	<u>(1,544,809)</u>	<u>178,000</u>	<u>1,386,380</u>
Total expenses	<u>10,654,483</u>	<u>13,501,034</u>	<u>(2,846,551)</u>	<u>8,718,411</u>	<u>4,782,623</u>
Changes in net position	154,907	(2,371,914)	2,526,821	2,354,561	(4,726,475)
Net position, beginning of period, as restated (Note 10)	<u>10,652,570</u>	<u>13,024,484</u>	<u>(2,371,914)</u>	<u>10,669,923</u>	<u>2,354,561</u>
Net position, end of period	<u>\$ 10,807,477</u>	<u>10,652,570</u>	<u>154,907</u>	<u>13,024,484</u>	<u>(2,371,914)</u>

The statements of revenues, expenses, and changes of net position show how the Watermaster's net position changed during the fiscal years. In the case of the Watermaster, net position increased by 1.45% or \$154,907 to \$10,807,477 as a result of ongoing operations for the year ended June 30, 2025; and net position decreased by 18.21% or \$2,371,914 to \$10,652,570 as a result of ongoing operations for the year ended June 30, 2024.

A closer examination of the sources of changes in net position reveals that:

In 2025, the Watermaster's total revenues decreased 2.87% or \$319,730 to \$10,809,930. The Watermaster's operating revenues decreased by 1.46% or \$151,501 to \$10,249,753, due primarily to a decrease of \$256,967 in replenishment water revenue, which was offset by an increase of \$99,369 in administrative assessments. The Watermaster's non-operating revenues decreased by 23.11% or \$168,229 to \$559,637, due to a decrease in investment earnings, net of a year-end fair value adjustment for LAIF.

Chino Basin Watermaster
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Statements of Revenues, Expenses, and Changes in Net Position, continued

In 2024, the Watermaster's total revenues increased 0.51% or \$56,148 to \$11,129,120. The Watermaster's operating revenues decreased by 3.08% or \$330,749 to \$10,401,254, due primarily to a decrease of \$359,646 in administrative assessments, which was offset by an increase of \$32,349 in replenishment water revenue. The Watermaster's non-operating revenues increased by 113.47% or \$386,897 to \$727,866, due to an increase in investment earnings, net of a year-end fair value adjustment for LAIF.

In 2025, the Watermaster's total expenses decreased 21.08% or \$2,846,551 to \$10,654,483. The Watermaster's operating expenses decreased by 11.31% or \$1,329,606 to \$10,424,955, due primarily to decreases of \$1,686,132 in groundwater replenishment and other water purchases, and \$825,709 in Watermaster administration; which were offset by an increase of \$1,267,642 in optimum basin management plan. The Watermaster's non-operating expenses decreased 98.75% or \$1,544,809 to \$19,571, primarily due to a decrease of \$1,542,183 in reserve distribution expenses.

In 2024, the Watermaster's total expenses increased 54.86% or \$4,782,623 to \$13,501,034. The Watermaster's operating expenses increased by 40% or \$3,357,992 to \$11,754,561, due primarily to increases of \$1,606,779 in groundwater replenishment and other water purchases, \$931,282 in optimum basin management plan, and \$821,319 in Watermaster administration. The Watermaster's non-operating expenses increased 778.87% or \$1,386,380 to \$1,564,380, primarily due to an increase of \$1,364,804 in reserve distribution expenses.

Capital Asset Administration

At the end of fiscal years 2025 and 2024, the Watermaster's investment in capital assets amounted to \$1,144,851 and \$983,347 (net of accumulated depreciation and amortization), respectively. This investment in capital assets includes leasehold improvements, office equipment, vehicles, leased building, and leased equipment. The capital assets of the Watermaster are more fully analyzed in note 4 to the basic financial statements.

Changes in capital assets in 2025 were as follows:

		<u>Balance 2024</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 2025</u>
Capital assets:					
Depreciable assets	\$	1,474,274	374,326	(105,951)	1,742,649
Accumulated depreciation		<u>(490,927)</u>	<u>(209,957)</u>	<u>103,086</u>	<u>(597,798)</u>
Total capital assets	\$	<u><u>983,347</u></u>	<u><u>164,369</u></u>	<u><u>(2,865)</u></u>	<u><u>1,144,851</u></u>

Changes in capital assets in 2024 were as follows:

		<u>Balance 2023</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 2024</u>
Capital assets:					
Depreciable assets	\$	861,191	968,562	(355,479)	1,474,274
Accumulated depreciation		<u>(664,313)</u>	<u>(182,093)</u>	<u>355,479</u>	<u>(490,927)</u>
Total capital assets	\$	<u><u>196,878</u></u>	<u><u>786,469</u></u>	<u><u>-</u></u>	<u><u>983,347</u></u>

Chino Basin Watermaster
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the Watermaster's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the Watermaster's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the Watermaster's finances and to demonstrate Watermaster's accountability with an overview of Watermaster's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Watermaster's Director of Administration, Anna Nelson, at Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA 91730 or (909) 484-3888.

Basic Financial Statements

Chino Basin Watermaster
Statements of Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>As restated 2024</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 12,352,799	11,693,858
Accounts receivable	1,052,150	1,303,493
Accrued interest receivable	7,295	7,171
Other receivable	-	50,000
Prepaid expenses and other current assets	<u>57,763</u>	<u>36,657</u>
Total current assets	<u>13,470,007</u>	<u>13,091,179</u>
Non-current assets:		
Capital assets, net (note 4)	<u>1,144,851</u>	<u>983,347</u>
Total non-current assets	<u>1,144,851</u>	<u>983,347</u>
Total assets	<u>14,614,858</u>	<u>14,074,526</u>
Deferred outflows of resources:		
Deferred OPEB outflows (note 7)	79,011	91,055
Deferred pension outflows (note 8)	<u>667,453</u>	<u>811,933</u>
Total deferred outflows of resources	<u>746,464</u>	<u>902,988</u>
Current liabilities:		
Accounts payable and accrued expenses	1,310,996	962,078
Accrued salaries and benefits	46,249	36,023
Long-term liabilities – due within one year:		
Compensated absences (note 5)	173,011	181,839
Leases payable (note 6)	<u>135,787</u>	<u>137,947</u>
Total current liabilities	<u>1,666,043</u>	<u>1,317,887</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	12,998	-
Leases payable (note 6)	575,151	678,397
Net OPEB liability (note 7)	253,540	275,478
Net pension liability (note 8)	<u>1,897,516</u>	<u>1,913,265</u>
Total non-current liabilities	<u>2,739,205</u>	<u>2,867,140</u>
Total liabilities	<u>4,405,248</u>	<u>4,185,027</u>
Deferred inflows of resources:		
Deferred OPEB inflows (note 7)	<u>148,597</u>	<u>139,917</u>
Total deferred inflows of resources	<u>148,597</u>	<u>139,917</u>
Net position: (note 11)		
Net investment in capital assets	433,913	167,003
Unrestricted	<u>10,373,564</u>	<u>10,485,567</u>
Total net position	<u>\$ 10,807,477</u>	<u>10,652,570</u>

See accompanying notes to the basic financial statements

Chino Basin Watermaster
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>As restated 2024</u>
Operating revenues:		
Administrative assessments	\$ 9,964,355	9,864,986
Replenishment water revenue	92,858	349,825
Other revenue	<u>192,540</u>	<u>186,443</u>
Total operating revenue	<u>10,249,753</u>	<u>10,401,254</u>
Operating expenses:		
Groundwater replenishment and other water purchases	234,659	1,920,791
Optimum basin management plan	6,241,855	4,974,213
Watermaster administration	3,086,166	3,911,875
Pool, advisory, and board administration	<u>862,275</u>	<u>947,682</u>
Total operating expense	<u>10,424,955</u>	<u>11,754,561</u>
Operating loss before depreciation	(175,202)	(1,353,307)
Depreciation and amortization expense	<u>(209,957)</u>	<u>(182,093)</u>
Operating loss	<u>(385,159)</u>	<u>(1,535,400)</u>
Non-operating revenue (expense):		
Reserve distribution	-	(1,542,183)
Interest expense	(19,571)	(22,197)
Investment returns	<u>559,637</u>	<u>727,866</u>
Total non-operating revenue (expense), net	<u>540,066</u>	<u>(836,514)</u>
Changes in net position	154,907	(2,371,914)
Net position, beginning of period, as restated (note 10)	<u>10,652,570</u>	<u>13,024,484</u>
Net position, end of period	<u>\$ 10,807,477</u>	<u>10,652,570</u>

See accompanying notes to the basic financial statements

Chino Basin Watermaster
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Receipts from stakeholders	\$ 10,501,096	10,671,517
Payments to employees for salaries and wages	(1,623,182)	(3,351,075)
Payments to vendors for materials and services	<u>(8,282,048)</u>	<u>(8,370,959)</u>
Net cash provided by (used in) operating activities	<u>595,866</u>	<u>(1,050,517)</u>
Cash flows from non-capital financing activities:		
Payments for non-operating expenses	<u>-</u>	<u>(1,542,183)</u>
Net cash used in non-capital financing activities	<u>-</u>	<u>(1,542,183)</u>
Cash flows from capital financing activities:		
Acquisition of capital assets	(336,130)	(77,024)
Principal paid on capital lease payables	(140,737)	(127,003)
Interest paid on capital lease payables	<u>(19,571)</u>	<u>(22,197)</u>
Net cash used in capital financing activities	<u>(496,438)</u>	<u>(226,224)</u>
Cash flows from investing activities:		
Investment returns	<u>559,513</u>	<u>795,095</u>
Net cash provided by investing activities	<u>559,513</u>	<u>795,095</u>
Net increase (decrease) in cash and cash equivalents	658,941	(2,023,829)
Cash and cash equivalents, beginning of year	<u>11,693,858</u>	<u>13,717,687</u>
Cash and cash equivalents, end of year	<u>\$ 12,352,799</u>	<u>11,693,858</u>

Continued on next page

See accompanying notes to the basic financial statements

Chino Basin Watermaster
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating income	\$ <u>(385,159)</u>	<u>(1,535,400)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	209,957	182,093
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	251,343	270,263
Other receivable	50,000	(50,000)
Prepaid expenses and other current assets	(21,106)	15,127
Deferred outflows of resources	156,524	(39,069)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expense	348,918	417,742
Accrued salaries and benefits	10,226	3,020
Compensated absences	4,170	(129,275)
Total OPEB liability	(21,938)	5,727
Net pension liability	(15,749)	193,069
Employee compensation plan	-	(389,475)
Deferred inflows of resources	<u>8,680</u>	<u>5,661</u>
Total adjustments	<u>981,025</u>	<u>484,883</u>
Net cash provided by (used in) operating activities	\$ <u>595,866</u>	<u>(1,050,517)</u>

See accompanying notes to the basic financial statements

Chino Basin Watermaster
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Chino Basin Watermaster (“Watermaster”) was established under a judgment entered in the Superior Court of the State of California for the County of San Bernardino as a result of Case No. RCV 51010 (formerly Case No. SCV 164327) entitled “Chino Basin Municipal Water District v. City of Chino, et al.”, signed by the Honorable Judge Howard B. Weiner on January 27, 1978. The effective date of this Judgment for accounting and operations was July 1, 1977.

Pursuant to the Judgment, the Chino Basin Municipal Water District (CBMWD) five-member Board of Directors was initially appointed as “Watermaster”. Their term of appointment as Watermaster was for five years, and the Court, by subsequent orders, provided for successive terms, or for a successor Watermaster. Pursuant to a recommendation of the Advisory Committee, the Honorable J. Michael Gunn appointed a nine-member board as Watermaster on September 28, 2000. Under the Judgment, three Pool committees were formed: (1) Overlying (Agricultural) Pool which includes the State of California and all producers of water for overlying uses other than industrial or commercial purposes; (2) Overlying (Non-Agricultural) Pool which represents producers of water for overlying industrial or commercial purposes; and (3) Appropriative Pool which represents cities, districts, other public or private entities, and utilities. The three Pool committees act together to form the “Advisory Committee.” The Watermaster provides the Chino Groundwater Basin service area with services which primarily include: Accounting for water appropriations and components of acre-footage of stored water by agency, purchase of replenishment water, groundwater monitoring, and implementation of special projects.

Watermaster expenditures are allocated to the pools based on the prior year’s production volume (or the same percentage used to set the annual assessments). Allocations for fiscal year 2024-2025 expenses are based on the 2023-2024 production volume.

Production volume	Fiscal Year 2025		Fiscal Year 2024	
	Acre Feet	Percentage	Acre Feet	Percentage
Appropriative Pool	74,795	77.72%	54,722	72.65%
Agricultural Pool	18,184	18.89%	17,717	23.52%
Non-agricultural Pool	3,259	3.39%	2,879	3.82%
Total production volume	96,238	100.00%	75,318	100.00%

The Agricultural Pool members ratified an agreement with the Appropriative Pool at their meeting of June 16, 1988, wherein the Appropriative Pool assumes Agricultural Pool administrative expenses and special project cost allocations in exchange for an accelerated transfer of un-pumped agricultural water to the Appropriative Pool. In addition, the Agricultural Pool transferred all pool administrative reserves at June 30, 1988, to the Appropriative Pool effective July 1, 1988.

In July of 2000, the principal parties in the Basin signed an agreement, known as the Peace Agreement, which formalized the Basin parties' commitment to implement an Optimum Basin Management Program (OBMP). The OBMP was developed in a collaborative public process that identified the needs and wants of all stakeholders; described the physical state of the groundwater basin; developed a set of management goals; identified impediments to those goals; described a series of actions that could be taken to remove those impediments and achieve the management goals; developed and executed agreements to implement the OBMP; and certified a programmatic Environmental Impact Report (PEIR) pursuant to CEQA with IEUA as the lead Agency. The Peace Agreement was signed by all the parties, and the Court approved the agreement and ordered the Watermaster to proceed in accordance with the terms of the agreement.

Chino Basin Watermaster
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

A. Organization and Operations of the Reporting Entity, continued

In 2019, with a nearly two-decade-old “2000 OBMP,” the “2020 OBMP Update (2020 OBMPU)” was begun. This entailed a multi-stakeholder collaborative process wherein Watermaster hosted many Listening Sessions to bring the 20-year old planning document up to date. The process acknowledged the new challenges and opportunities that the region faced and provided solutions through collaboration. The multi-stakeholder effort concluded in the finalization of the 2020 OBMPU Report in October of 2020 setting the framework of basin management into the foreseeable future. A Subsequent Environmental Impact Report (SEIR) in support of the 2020 OBMPU was certified pursuant to Section 15088.5 of CEQA guidelines by IEUA as the lead agency.

B. Basis of Accounting and Measurement Focus

The Watermaster reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Watermaster is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as replenishment water revenues and groundwater replenishment, result from exchange transactions associated with the principal activity of the Watermaster. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The Watermaster’s basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Watermaster solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Watermaster’s proprietary fund.

The Watermaster has adopted the following GASB pronouncements in the current year:

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, and disclosures of contingent assets, deferred outflows, liabilities, and deferred inflows at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all the Watermaster's cash is invested in interest-bearing accounts. The Watermaster considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments

The Watermaster has adopted an investment policy directing the General Manager to invest and reinvest funds subject to the provisions of the Watermaster's Investment Policy and the ongoing review and control of the Watermaster and the Watermaster Advisory Committee in accordance with California Government Code section 53600.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Accounts Receivable and Allowance for Uncollectible Accounts

The Watermaster extends credit to customers in the normal course of operations. Management has determined that all amounts are considered collectable. As a result, the Watermaster has not recorded an allowance for doubtful accounts as of June 30, 2025 and 2024, respectively.

5. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

6. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment and software	5 years
Office furniture and fixtures	7 years
Leasehold improvements	10 years
Automotive equipment	7 years

Leased assets are amortized on a straight-line basis over the life of the lease term.

7. Deferred Outflows of Resources

The statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents the consumption of net assets applicable to future periods and, therefore, will not be recognized as an outflow of resources (expenditure) until that time. The Watermaster has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.
- Deferred outflow which is equal to the employer contributions made after the measurement date of the total OPEB liability. This amount will be amortized-in-full against the total OPEB liability in the next fiscal year.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in actual and proportionate share of employer contribution which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net adjustment due to the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

8. Compensated Absences

The Watermaster's policy is to permit eligible employees to accumulate earned vacation up to a total of 320 hours. Employees may receive pay in lieu of using vacation for up to one-half of their annual vacation accrual if: (1) within the prior twelve months, the employee has used vacation in an amount equal to at least half of their annual vacation accrual rate; and (2) the employee has a minimum remaining accrued vacation balance of at least 40 hours. Eligible employees accrue and accumulate sick leave based on Watermaster policy. Twice a year, employees may buy-back accrued sick leave at 50% of their current pay provided that at least 480 hours of accrued sick leave remain after the cash-out. Upon termination of employment, employees are paid all unused vacation. Unused sick time is paid out based on Watermaster policy.

9. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Watermaster's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Dates: June 30, 2023 and 2022
- Measurement Dates: June 30, 2024 and 2023
- Measurement Periods: July 1, 2023 to June 30, 2024 and July 1, 2022 to June 30, 2023

10. Deferred Inflows of Resources

The statements of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, deferred inflows of resources, represents an acquisition of net assets applicable to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The Watermaster has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.
- Deferred inflow for the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over a 5-year period.

11. Lease payable

The Watermaster's lease obligation is measured at the present value of payments expected to be paid during the lease term.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

12. Water Production Assessments

Water Production Assessment categories include Administration, Optimum Basin Management Program, Special Projects, and Water Replenishment. Assessments are billed on a yearly basis.

13. Budgetary Policies

The Watermaster adopts an annual operational budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

14. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – This component of net position consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net *investment in capital assets* or *restricted* components of net position.

(2) Cash and Investments

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

	<u>2025</u>	<u>2024</u>
Cash and investments	\$ 12,352,799	11,693,858
Total cash and investments	<u>\$ 12,352,799</u>	<u>11,693,858</u>

Cash and investments as of June 30 consist of the following:

	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 500	302
Deposits with financial institutions	-	610,770
California CLASS Investment Pool		
Designated	1,461,922	-
Undesignated	10,223,747	10,448,927
Local Agency Investment Fund (LAIF)	<u>666,630</u>	<u>633,859</u>
Total cash and investments	<u>\$ 12,352,799</u>	<u>11,693,858</u>

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

As of June 30, Watermaster's authorized deposits had the following maturities:

	<u>2025</u>	<u>2024</u>
Deposits in California CLASS Investment Pool	<u>75 days</u>	<u>75 days</u>
Deposits in California Local Agency Investment Fund (LAIF)	<u>248 days</u>	<u>217 days</u>

Investments Authorized by the California Government Code and the Watermaster's Investment Policy

The table below identifies the investment types that are authorized by the Watermaster in accordance with the California Government Code (or the Watermaster's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Watermaster's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Collateralize Bank Deposits	5 years	None	None
Corporate debt - Short and Long Term	5 years	None	None
Commercial Paper - Pooled Funds	270 days	40%	10%
Commercial Paper - Non Pooled Funds	270 days	40%	10%
Repurchase agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Investment in California State Investment Pool

The Watermaster is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 and is under the management of the Treasurer of the State of California with oversight provided by the Local Agency Investment Advisory Board. The fair value of the Watermaster's investment in this pool is reported in the accompanying financial statements at amounts based upon the Watermaster's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Bank balances are secured by the pledging of a pool of eligible securities to collateralize the Watermaster's deposits with the bank in accordance with the Code.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

Investment in California CLASS

The Watermaster is a voluntary participant in the California CLASS (CLASS) that is regulated by the California Government Code Section 16429 and is a Joint Powers Authority investment pool that provides the opportunity to invest funds on a cooperative basis in rated pools that are managed in accordance with state law with the primary objectives of offering Participants safety, daily, and next day liquidity, and optimized returns.

The fair value of the Watermaster's investment in this pool is reported in the accompanying financial statements at amounts based upon the Watermaster's pro-rata share of the fair value provided by CLASS for the entire CLASS portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the CLASS, which are recorded on an amortized cost basis. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the Watermaster's deposits with the bank in accordance with the Code.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). The California Government Code and the Watermaster's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure Watermaster deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2025 and 2024, bank balances are federally insured up to \$250,000 and the remaining balance is collateralized in accordance with the Code.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Watermaster manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Investments, continued

Credit Risk, continued

Presented below is the minimum rating required by the California Government Code (where applicable), the Watermaster's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings as of June 30, 2025, were as follows:

Investment Type	Total	Minimum Legal Rating	Ratings as of year-end	
			S&P Global Ratings AAAm	Not Rated
California CLASS	\$ 11,685,669	AAAm	11,685,669	-
Local Agency Investment Fund (LAIF)	666,630	N/A	-	666,630
	<u>\$ 12,352,299</u>		<u>11,685,669</u>	<u>666,630</u>

Credit ratings as of June 30, 2024, were as follows:

Investment Type	Total	Minimum Legal Rating	Ratings as of year-end	
			S&P Global Ratings AAAm	Not Rated
California CLASS	\$ 10,448,927	AAAm	10,448,927	-
Local Agency Investment Fund (LAIF)	633,859	N/A	-	633,859
	<u>\$ 11,082,786</u>		<u>10,448,927</u>	<u>633,859</u>

Concentration of Credit Risk

The Watermaster's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than external investment pools) that represented 5% or more of total Watermaster's investment at June 30, 2025 and 2024.

(3) Deferred Compensation Savings Plan

For the benefit of its employees, the Watermaster participates in a 457 and 401(a) Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Watermaster is in compliance with this legislation. Therefore, these assets are not the legal property of the Watermaster, and are not subject to claims of the Watermaster's general creditors. Fair value of all plan assets held in trust for the 457 Plan at June 30, 2025 and 2024 was \$2,418,371 and \$2,065,835, respectively. Fair value of all plan assets held in trust by the Watermaster's 401(a) Plan at June 30, 2025 and 2024, amounted to \$902,450, and 631,429, respectively.

The Watermaster has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the Watermaster has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(4) Capital Assets

Changes in capital assets for 2025 were as follows:

	<u>Balance 2024</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 2025</u>
Depreciable and leased assets:				
Computer equipment	\$ 37,703	-	-	37,703
Furniture and fixtures	251,887	-	-	251,887
Leasehold improvements	23,443	-	-	23,443
Vehicles and equipment	163,755	338,994	-	502,749
Leased building	891,538	-	-	891,538
Leased equipment	105,948	35,332	(105,951)	35,329
Total depreciable and leased assets	<u>1,474,274</u>	<u>374,326</u>	<u>(105,951)</u>	<u>1,742,649</u>
Accumulated depreciation and amortization:				
Computer equipment	(37,704)	-	-	(37,704)
Furniture and fixtures	(134,627)	(33,120)	-	(167,747)
Leasehold improvements	(23,443)	-	-	(23,443)
Vehicles and equipment	(103,113)	(31,312)	-	(134,425)
Leased building	(106,135)	(127,363)	-	(233,498)
Leased equipment	(85,905)	(18,162)	103,086	(981)
Total accumulated depreciation and amortization	<u>(490,927)</u>	<u>(209,957)</u>	<u>103,086</u>	<u>(597,798)</u>
Total capital assets, net	\$ <u>983,347</u>			<u>1,144,851</u>

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(4) Capital Assets, continued

Changes in capital assets for 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 2024</u>
Depreciable and leased assets:				
Computer equipment	\$ 37,703	-	-	37,703
Furniture and fixtures	223,950	27,937	-	251,887
Leasehold improvements	23,443	-	-	23,443
Vehicles and equipment	114,668	49,087	-	163,755
Leased building	355,479	891,538	(355,479)	891,538
Leased equipment	105,948	-	-	105,948
Total depreciable and leased assets	<u>861,191</u>	<u>968,562</u>	<u>(355,479)</u>	<u>1,474,274</u>
Accumulated depreciation and amortization:				
Computer equipment	(37,704)	-	-	(37,704)
Furniture and fixtures	(101,506)	(33,121)	-	(134,627)
Leasehold improvements	(23,443)	-	-	(23,443)
Vehicles and equipment	(91,676)	(11,437)	-	(103,113)
Leased building	(341,260)	(120,354)	355,479	(106,135)
Leased equipment	(68,724)	(17,181)	-	(85,905)
Total accumulated depreciation and amortization	<u>(664,313)</u>	<u>(182,093)</u>	<u>355,479</u>	<u>(490,927)</u>
Total capital assets, net	\$ <u><u>196,878</u></u>			<u><u>983,347</u></u>

(5) Compensated Absences

The Watermaster recognizes liability for compensated absences in accordance with GASB Statement No. 101, "Compensated Absences". Compensated absences include unpaid vacation leave, sick leave and compensating time off which is accrued as earned, which are expected to be settled through paid time off or cash payments upon termination or retirement.

As of June 30, 2025 and 2024, the liability for compensated absences was calculated based on employees' pay rates at the fiscal year-end and historical usage data, considering employment policies. The liability represents amounts that are more likely than not be used or paid out.

Compensated absences as of June 30 are classified in the accompanying financial statements as follows:

	<u>2025</u>	<u>2024</u>
Current	\$ 173,011	181,839
Non-current	12,998	-
Total	<u>\$ 186,009</u>	<u>181,839</u>

The total liability for compensated absences amounted to \$186,009 and \$181,839, respectively.

The net change in the compensated absences liability for the fiscal year ended June 30, 2025 and 2024 was \$4,170 and \$(129,275), respectively, reflecting a net increase (decrease) due to changes in employee leave balances, pay rates, and usage patterns. The liability is reported in government-wide financial statements and business type fund financial statements.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(6) Leases Payable

The change in leases payable for 2025 was as follows:

	Balance 2024	Additions	Payments	Balance 2025	Current Portion	Long Term Portion
Leases payable:						
Cucamonga Valley Water District – Office Building	797,043	-	(121,436)	675,607	124,374	551,233
Advanced Office – Ricoh Copiers	19,301	35,331	(19,301)	35,331	11,413	23,918
Total leases payable	<u>816,344</u>	<u>35,331</u>	<u>(140,737)</u>	<u>710,938</u>	<u>135,787</u>	<u>575,151</u>

The change in leases payable for 2024 was as follows:

	Balance 2023	Additions	Payments	Balance 2024	Current Portion	Long Term Portion
Leases payable:						
Cucamonga Valley Water District – Office Building	16,388	891,538	(110,883)	797,043	121,436	675,607
Advanced Office – Ricoh Copiers	35,421	-	(16,120)	19,301	16,511	2,790
Total leases payable	<u>51,809</u>	<u>891,538</u>	<u>(127,003)</u>	<u>816,344</u>	<u>137,947</u>	<u>678,397</u>

Cucamonga Valley Water District – Office Building

In September 2003, the Watermaster entered into an agreement with Cucamonga Valley Water District (District) to rent office building space for the purpose of providing an administrative headquarters location for the Watermaster. Terms of the agreement commenced on September 1, 2003 with an initial 10 year term with automatic extension for 3 periods of 5 years through August 30, 2023. Terms of the agreement include base rent is due monthly at \$4,900 per month due on the 1st of each month. Base rent is adjusted annually based on the Consumer Price Index for Riverside and San Bernardino County.

In August 2023, the Watermaster amended its agreement with the District. Terms of the agreement commenced on September 1, 2023 and continue through August 31, 2030. Terms of the agreement include base rent is due monthly at \$11,727 per month due on the 1st of each month. Commencing with the first day of the thirteenth month of the lease term, the monthly rent payable under this agreement shall be adjusted on an annual basis thereafter in accordance with the applicable Consumer Price Index of the Bureau of Labor Statistics of the Department of Labor for all Urban Consumers, Riverside-San Bernardino-Ontario (“CPI”).

As of June 30, 2025 and 2024, rental payments amounted to \$140,724 and \$132,407, respectively.

The Watermaster recorded a right-to-use asset and a lease payable at present value using an interest rate of 2.42%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(6) Leases Payable, continued

Annual lease payments are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	124,374	16,350	140,724
2027		127,384	13,340	140,724
2028		130,467	10,257	140,724
2029		133,624	7,100	140,724
2030		136,858	3,866	140,724
2031		22,900	554	23,454
Total		675,607	<u>51,467</u>	<u>727,074</u>
Current		<u>(124,374)</u>		
Long-term	\$	<u>551,233</u>		

Advanced Office – Ricoh Copiers

In October 2019, the Watermaster entered into an agreement with Advanced Office for the purpose of acquiring two Ricoh copy machines. Terms of the agreement commenced in July 2019 and matures in August 2025.

On May 22, 2025, the Watermaster entered into an amended agreement with Advanced Office to extend the lease through May 21, 2028.

As of June 30, 2025 and 2024, rental payments amounted to \$19,301 and \$17,338, respectively.

Following the guidelines of *GASB Statement No. 87*, the Watermaster recorded a right-to-use asset and a lease payable at present value using an interest rate of 2.40%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Advanced Office – Ricoh Copiers

Annual lease payments are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	11,413	1,116	12,529
2027		11,773	756	12,529
2028		12,145	384	12,529
Total		35,331	<u>2,256</u>	<u>37,587</u>
Current		<u>(11,413)</u>		
Long-term	\$	<u>23,918</u>		

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(7) Other Post-Employment Benefits Payable

Plan Description

The Watermaster's defined benefit other post-employment benefit (OPEB) plan (Plan) provides OPEB for all permanent and vested full-time employees. The Plan is a single-employer defined benefit OPEB plan administered by the Watermaster. The Watermaster's Board has the authority to establish and amend the benefit terms and financing requirements of the Plan. Watermaster participates in a CalPERS Health Program, a community-rated program for its medical coverage. Watermaster does not have an OPEB trust established and no assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides a contribution up to the CalPERS PEMCHA minimum employer contribution for eligible retirees and surviving spouses in receipt of a pension benefit from CalPERS. An employee is eligible for this employer contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement from the Watermaster.

Vesting requires at least 5 years of CalPERS total service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon death of the retiree. Board members during or prior to 1994 are also eligible for Watermaster contribution at retirement.

Employee Covered by Benefit Terms

As of June 30, 2025 and 2024, the following employees were covered by the benefit terms:

	<u>2025</u>	<u>2024</u>
Active employees	9	9
Inactive employees or beneficiaries currently receiving benefit payments	<u>3</u>	<u>3</u>
Total plan membership	<u>12</u>	<u>12</u>

Total OPEB Liability

The Watermaster's total OPEB liability of \$253,540 and 275,478 was measured as of December 31, 2024 and 2022, respectively, and was determined by an actuarial valuation as of December 31, 2023 and 2021.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(7) Other Post-Employment Benefits Payable, continued

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2025 and 2024, actuarial valuation, which was measured at December 31, 2024 and 2022, respectively, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation dates	December 31, 2023 and December 31, 2021
Measurement dates	December 31, 2024 and December 31, 2022
Actuarial cost method	Entry Age Normal cost method in accordance with the requirements of GASB Statement No. 75
Inflation	2025: 2.50% per annum 2024: 2.50% per annum
Salary increases	2025: 2.75% per annum, in aggregate 2024: 2.75% per annum, in aggregate
Discount rate	2025: 4.08% per annum, in aggregate 2024: 3.26% per annum, in aggregate
Healthcare cost trend rates	2025: 4.00% 2024: 4.00%

Changes in the Total OPEB Liability

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 275,478	269,751
Changes during the year:		
Service cost	14,391	15,731
Interest	8,977	10,086
Experience (gains)/losses	-	(34,649)
Changes in assumptions	(30,680)	27,521
Benefit payments	(14,626)	(12,962)
Net change	(21,938)	5,727
Balance at end of year	\$ 253,540	275,478

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Watermaster as of June 30, 2025, as well as what the Watermaster's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>Discount Rate - 1% 3.08%</u>	<u>Current Discount Rate 4.08%</u>	<u>Discount Rate + 1% 5.08%</u>
Net OPEB liability	\$ 291,417	253,540	224,460

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(7) Other Post-Employment Benefits Payable, continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate, continued

The following presents the total OPEB liability of the Watermaster as of June 30, 2024, as well as what the Watermaster's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Discount Rate - 1% 2.26%	Current Discount Rate 3.26%	Discount Rate + 1% 4.26%
Net OPEB liability	\$ 316,652	275,478	241,946

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Watermaster as of June 30, 2025, as well as what the Watermaster's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare cost trend rates		
	1% Decrease 3.00%	Current 4.00%	1% Increase 5.00%
Net OPEB liability	\$ 215,039	253,540	301,219

The following presents the net OPEB liability of the Watermaster as of June 30, 2024, as well as what the Watermaster's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare cost trend rates		
	1% Decrease 3.00%	Current 4.00%	1% Increase 5.00%
Net OPEB liability	\$ 235,911	275,478	326,844

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the fiscal years ended June 30, 2025 and 2024, the Watermaster recognized OPEB expense of \$7,671 and \$15,969, respectively. As of June 30, the Watermaster reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description		2025		2024	
		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$	14,807	(43,849)	73,897	(49,539)
Difference between actual and expected experience		64,204	(104,748)	17,158	(90,378)
Total	\$	79,011	(148,597)	91,055	(139,917)

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(7) Other Post-Employment Benefits Payable, continued

At June 30, 2025, there were amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB which are required to be recognized in OPEB expense over future periods. OPEB related amounts will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30	Deferred Net Outflows/(Inflow) of Resources
2026	(7,446)
2027	(7,446)
2028	(7,446)
2029	(7,446)
2030	(7,442)
Thereafter	(32,360)

Schedule of Changes in the Watermaster's Total OPEB Liability and Related Ratios

See page 42 for the Required Supplementary Schedule.

(8) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Watermaster's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Watermaster's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Watermaster's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013 are eligible for the Watermaster's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(8) Defined Benefit Pension Plan, continued

Benefits Provided

The Watermaster participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous risk pool in effect at June 30, 2025 and 2024, are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50 - 55	52 - 67
Monthly benefits, as a percentage of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates		
2025	7.96%	7.75%
2024	7.96%	7.75%
Required employer contribution rates		
2025	14.13%	7.87%
2024	14.06%	7.68%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Watermaster is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	
	2025	2024
Contributions – employer	\$ 282,363	258,881

Net Pension Liability

As of June 30, the Watermaster reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2025	2024
Proportionate share of net pension liability	\$ 1,897,516	1,913,265

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(8) Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The Watermaster's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024 and 2023 (the measurement dates), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and 2022 (the valuation dates), rolled forward to June 30, 2024 and 2023, using standard update procedures. The Watermaster's proportion of the net pension liability was based on a projection of the Watermaster's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Watermaster's proportionate share of the pension liability for the Plan's miscellaneous risk pool as of the measurement date June 30, 2024 was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2022	0.01534%
Increase in proportion	<u>0.00031%</u>
Proportion – June 30, 2023	<u><u>0.01565%</u></u>

The Watermaster's proportionate share of the pension liability for the Plan's miscellaneous risk pool as of the measurement date June 30, 2023 was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2021	0.01489%
Increase in proportion	<u>0.00044%</u>
Proportion – June 30, 2022	<u><u>0.01534%</u></u>

Actuarial assumptions

The total pension liabilities in the June 30, 2023 and 2022, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2022 and 2023
Measurement dates	June 30, 2023 and 2024
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	6.90%
Inflation rate	2.30%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period Upon Which Actuarial Experience Survey Assumptions Were Based	1997-2015
Post Retirement Benefit Increase	Contract COLA up to 2.50% (2024) and 2.30% (2023) until Purchasing Power Protection Allowance Floor on Purchasing Power applies

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(8) Defined Benefit Pension Plan, continued

* The mortality table used was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvements using 80% of Scale MP 2020, published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study that can be found on the CalPERS website.

Deferred Pension Outflows (Inflows) of Resources

For the fiscal years ended June 30, 2025 and 2024, the Watermaster recognized pension expense (credit) of \$157,717 and \$(106,211), respectively.

Deferred Pension Outflows (Inflows) of Resources, continued

At June 30, 2025, other amounts reported as deferred outflows and inflows of resources related to the pensions, which will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows/(Inflows) of Resources
2026	\$ 127,470
2027	263,121
2028	5,154
2029	(37,435)

As of June 30, 2025 and 2024, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$253,545 and \$282,363, respectively, and will be and were recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2025 and 2024, respectively.

As of June 30, 2025 and 2024, the Watermaster reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 309,143	-	253,545	-
Differences between actual and expected experience	157,656	-	82,578	-
Changes in assumptions	48,770	-	115,512	-
Net difference between projected and actual earnings on plan investments	109,238	-	309,775	-
Differences between actual contribution and proportionate share of contribution	10,037	-	20,077	-
Net adjustment due to differences in proportions of net pension liability	32,609	-	30,446	-
Total	\$ 667,453	-	811,933	-

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(8) Defined Benefit Pension Plan, continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 43 through 45 for the Required Supplementary Information.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This discount rate is not adjusted for administrative expenses.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The table below reflects the expected real rates of return by asset class.

<u>Asset Class</u>	<u>Assumed Asset Classification</u>	<u>Real Return 1-10^{1,2}</u>
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management Study.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(8) Defined Benefit Pension Plan, continued

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following table presents the Watermaster's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the Watermaster's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

As of June 30, 2025, the Watermaster's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
Net pension liability	\$ 3,067,510	1,897,516	934,440

As of June 30, 2024, the Watermaster's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
Net pension liability	\$ 2,968,140	1,913,265	1,045,012

(9) Nonqualified Employee Compensation Plan

Effective June 1, 2015, the Watermaster established a Nonqualified Deferred Compensation Plan (Plan). The purpose of this Plan is to provide deferred compensation for selected public employees to participate in the Plan. The Plan is intended to be an unfunded deferred compensation plan that complies with the requirements of Section 457(f) and 409A of the Internal Revenue Code of 1986. Each Plan Participant shall be entitled to elect and forego all or any portion, as either a dollar amount or a percentage, of the Participant's salary and/or bonus that may become payable by the Employer for a Plan year after all applicable deductions and withholdings. Such election shall be evidenced by a deferral agreement. During the fiscal years ended June 30, 2024, the Watermaster made an employer contributions of \$78,988, to the Plan for the benefit of its eligible employees. For each of Watermaster's regular payroll periods beginning on and after July 1, 2015 through the remainder of the employment term (from June 30, 2014 up to the expiration date of June 30, 2017), the Watermaster agreed to make an employer contributions to the Plan for the benefit of the eligible employee equal to 8% of the corresponding salary including any incentive compensation paid during that payroll period; provided that the eligible employee is still employed with Watermaster on the payday of that payroll period.

On June 22, 2017, Watermaster agreed to make an employer contribution to the Plan for the benefit of another eligible employee equal to 4% of the corresponding salary effective for payroll period following July 1, 2017; and shall continue to be provided on each paycheck date thereafter until the Board takes further action. The balance of the Watermaster's Employee Compensation Plan as of June 30, 2023 amounted to \$389,475, which was paid out as of June 30, 2024.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(10) Prior Period Adjustment

Compensated absences

In fiscal year 2025, the Watermaster implemented *GASB Statement No. 101, Compensated Absences*. The nature, justification, and an explanation of the change are included in note 1.C. As a result of the implementation, the Watermaster recorded a prior period adjustment of \$26,139, to restate beginning balances as of July 1, 2024.

The adjustment to net position is as follows:

The adjustment to net position is as follows:

Net position at June 30, 2024, as previously stated	\$	13,024,484
Changes in net position, June 30, 2024, as previously stated	\$	(2,345,775)
Effect of adjustment to implement GASB 101:		
Compensated absences		(26,139)
Change in net position at June 30, 2024, as restated		(2,371,914)
Net position at July 1, 2024, as restated	\$	<u>10,652,570</u>

(11) Net Position

Calculation of net position as of June 30, is as follows:

	<u>2025</u>	<u>2024</u>
Net investment in capital assets:		
Capital assets, net	\$ 1,144,851	983,347
Leases payable, current	(135,787)	(137,947)
Leases payable, non-current	(575,151)	(678,397)
Total net investment in capital assets	<u>433,913</u>	<u>167,003</u>
Unrestricted:		
Non-spendable net position:		
Designated net position reserve		
Restricted pool funds - CA Class Investment Pool	1,461,922	-
Prepaid expenses and deposits	57,763	36,657
Total non-spendable net position	<u>1,519,685</u>	<u>36,657</u>
Spendable net position:		
Undesignated net position reserve	8,853,879	10,448,910
Total spendable net position	<u>8,853,879</u>	<u>10,448,910</u>
Total unrestricted net position	<u>10,373,564</u>	<u>10,485,567</u>
Total net position	<u>\$ 10,807,477</u>	<u>10,652,570</u>

At June 30, 2025, management designated \$1,461,922 of unrestricted net position as restricted pool funds under unrestricted, non-spendable net position. These designations are not legally binding and may be modified by the board at its discretion.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(12) Risk Management

The Watermaster is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Watermaster is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the Watermaster as of June 30, 2025:

- Commercial General Liability: \$2,000,000 General Aggregate Limit (Other than Products/Completed Operations); \$2,000,000 Products/Completed Operations Aggregate Limit (Any One Person or Organization); \$1,000,000 Personal and Advertising Injury Limit; \$1,000,000 Each Occurrence Limit; \$300,000 Rented To You Limit; \$15,000 Medical Expenses Limit (Any One Person).
- Commercial Excess Liability: Limits of Liability are \$10,000 Retained Limit, \$8,000,000 Each Occurrence, \$8,000,000 General Aggregate Limit, \$8,000,000 Products/Completed Operations to Aggregate.
- Automobile: \$1,000,000 Combined Bodily Injury and Property Damage Single Limit (Each Accident); \$1,000,000 Uninsured Motorists Single Limit. \$1,000 deductible for Comprehensive and \$1,000 deductible for Collision.
- Property: \$525,000 with liability limits varying by property type with a \$1,000 deductible.
- Crime coverage: \$50,000 per claim with a \$1,000 deductible.
- Director & Officers Liability: \$1,000,000 Liability Coverage; Employment Practices Liability: \$1,000,000 Liability Coverage. Director and Officer/Crisis Management: \$25,000 to \$100,000 with liability limits varying by type of coverage.
- Workers' compensation: Total annual premium is \$8,607.

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2025, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Chino Basin Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – Disclosure of Certain Capital Assets. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

(14) Commitments and Contingencies

Grant Awards

Grant funds received by the Watermaster are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the Watermaster believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the Watermaster is subject to claims and litigation from outside parties. After consultation with legal counsel, the Watermaster believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(15) Subsequent Events

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of October 23, 2025, which is the date the financial statements were available to be issued.

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Required Supplementary Information

Chino Basin Watermaster
Schedules of Changes in the Watermaster's Total OPEB Liability and Related Ratios
As of June 30, 2025
Last Ten Years*

Total OPEB liability	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Service cost	\$ 14,391	15,731	22,310	23,695	23,005	17,062	18,418	16,048
Interest	8,977	10,086	6,834	6,925	9,009	8,739	7,571	7,073
Change in assumptions	(30,680)	27,521	(73,528)	(40,381)	59,799	17,923	(17,582)	14,256
Experience (gains)/losses	-	(34,649)	-	24,211	(26,687)	-	-	-
Benefit payments	(14,626)	(12,962)	(12,962)	(4,332)	(2,932)	(3,722)	(2,423)	(2,308)
Net change in total OPEB liability	(21,938)	5,727	(57,346)	10,118	62,194	40,002	5,984	35,069
Total OPEB liability – beginning of year	275,478	269,751	327,097	316,979	254,785	214,783	208,799	173,730
Total OPEB liability – end of year	\$ 253,540	275,478	269,751	327,097	316,979	254,785	214,783	208,799
Covered payroll	1,551,813	1,498,233	1,311,262	1,246,404	1,198,184	1,091,719	1,031,755	860,266
Total OPEB liability as a percentage of covered payroll	16.34%	18.39%	20.57%	26.24%	26.45%	23.34%	20.82%	24.27%

Notes to schedule:

Changes in benefit terms: None noted.

Changes in assumptions: The changes in actuarial assumptions include changes in discount rates as follows:

Fiscal year 2018: 3.38%
Fiscal year 2019: 3.80%
Fiscal year 2020: 3.26%
Fiscal year 2021: 2.12%
Fiscal year 2022: 2.06%
Fiscal year 2023: 3.72%
Fiscal year 2023: 3.26%
Fiscal year 2024: 4.08%

* The Watermaster has presented information for those years for which information is available until a full 10-year trend is compiled.

Chino Basin Watermaster
Schedules of the Watermaster's Proportionate Share of the Net Pension Liability
As of June 30, 2025
Last Ten Years

Description	Measurement Dates									
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Watermaster's proportion of the net pension liability	0.01565%	0.01534%	0.01489%	0.01435%	0.01316%	0.01277%	0.01233%	0.01221%	0.01206%	0.01182%
Watermaster's proportionate share of the net pension liability	\$ 1,897,516	1,913,265	1,720,196	776,209	1,431,357	1,308,658	1,188,162	1,210,470	1,043,862	811,437
Watermaster's covered-employee payroll	\$ 1,551,813	1,498,233	1,311,262	1,246,404	1,198,184	1,091,719	1,031,755	860,266	979,741	888,483
Watermaster's proportionate share of the net pension liability as a percentage of its covered-employee payroll	122.28%	127.70%	131.19%	62.28%	119.46%	119.87%	115.16%	140.71%	106.54%	91.33%
Plan's proportionate share of fiduciary net position as a percentage of total pension liability	78.08%	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

Notes to the Schedules of the Watermaster's Proportionate Share of Net Pension Liability

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In fiscal year 2024 and 2023, there were no changes to actuarial assumptions or methods.

In fiscal year 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term.

The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic

assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

In fiscal year 2021, there were no changes to actuarial assumptions or methods.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses.

Chino Basin Watermaster
Schedules of the Watermaster's Proportionate Share of the Net Pension Liability, continued
As of June 30, 2025
Last Ten Years

Notes to the Schedules of the Watermaster's Proportionate Share of Net Pension Liability, continued

Change of Assumptions and Methods, continued

These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

Chino Basin Watermaster
Schedules of Pension Plan Contributions
As of June 30, 2025
Last Ten Years

Description	Fiscal Years Ended									
	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Actuarially determined contribution	\$ 315,959	282,102	267,270	245,656	220,388	192,849	155,931	151,169	132,932	110,292
Contributions in relation to the actuarially determined contribution	(309,143)	(253,545)	(282,363)	(262,145)	(238,632)	(226,625)	(188,604)	(159,828)	(137,342)	(83,557)
Contribution deficiency (excess)	\$ 6,816	28,557	(15,093)	(16,489)	(18,244)	(33,776)	(32,673)	(8,659)	(4,410)	26,735
Covered payroll	\$ 1,551,813	1,498,233	1,311,262	1,246,404	1,198,184	1,091,719	1,031,755	860,266	979,741	888,483
Contribution's as a percentage of covered-employee payroll	19.92%	16.92%	21.53%	21.03%	19.92%	20.76%	18.28%	18.58%	14.02%	9.40%

Supplemental Information Section

Chino Basin Watermaster
Combining Schedule of Net Position
June 30, 2025

	<u>General Fund</u>	<u>Pool Fund</u>	<u>2025</u>
Current assets:			
Cash and cash equivalents	\$ 12,352,799	-	12,352,799
Accounts receivable	1,052,150	-	1,052,150
Accrued interest receivable	7,295	-	7,295
Due from General Fund	-	132,581	132,581
Prepaid expenses and other current assets	<u>57,763</u>	<u>-</u>	<u>57,763</u>
Total current assets	<u>13,470,007</u>	<u>132,581</u>	<u>13,602,588</u>
Non-current assets:			
Capital assets, net	<u>1,144,851</u>	<u>-</u>	<u>1,144,851</u>
Total non-current assets	<u>1,144,851</u>	<u>-</u>	<u>1,144,851</u>
Total assets	<u>14,614,858</u>	<u>132,581</u>	<u>14,747,439</u>
Deferred outflows of resources:			
Deferred OPEB outflows	79,011	-	79,011
Deferred pension outflows	<u>667,453</u>	<u>-</u>	<u>667,453</u>
Total deferred outflows of resources	<u>746,464</u>	<u>-</u>	<u>746,464</u>
Current liabilities:			
Accounts payable and accrued expenses	1,310,746	250	1,310,996
Accrued salaries and benefits	46,249	-	46,249
Due to Pool Fund	132,581	-	132,581
Long-term liabilities – due within one year:			
Compensated absences	173,011	-	173,011
Leases payable	<u>135,787</u>	<u>-</u>	<u>135,787</u>
Total current liabilities	<u>1,798,374</u>	<u>250</u>	<u>1,798,624</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	12,998	-	12,998
Leases payable	575,151	-	575,151
Net OPEB liability	253,540	-	253,540
Net pension liability	<u>1,897,516</u>	<u>-</u>	<u>1,897,516</u>
Total non-current liabilities	<u>2,739,205</u>	<u>-</u>	<u>2,739,205</u>
Total liabilities	<u>4,537,579</u>	<u>250</u>	<u>4,537,829</u>
Deferred inflows of resources:			
Deferred OPEB inflows	<u>148,597</u>	<u>-</u>	<u>148,597</u>
Total deferred inflows of resources	<u>148,597</u>	<u>-</u>	<u>148,597</u>
Net position:			
Net investment in capital assets	433,913	-	433,913
Unrestricted	<u>10,241,233</u>	<u>132,331</u>	<u>10,373,564</u>
Total net position	<u>\$ 10,675,146</u>	<u>132,331</u>	<u>10,807,477</u>

Chino Basin Watermaster
Combining Schedule of Revenue, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2025

	<u>General Fund</u>	<u>Pool Fund</u>	<u>2025</u>
Operating revenues:			
Administrative assessments	\$ 9,834,155	130,200	9,964,355
Replenishment water revenue	92,858	-	92,858
Other revenue	192,540	-	192,540
Total operating revenue	<u>10,119,553</u>	<u>130,200</u>	<u>10,249,753</u>
Operating expenses:			
Groundwater replenishment and other water purchases	234,659	-	234,659
Optimum basin management plan	6,241,855	-	6,241,855
Watermaster administration	3,086,166	-	3,086,166
Pool, advisory, and board administration	523,314	338,961	862,275
Total operating expense	<u>10,085,994</u>	<u>338,961</u>	<u>10,424,955</u>
Operating income before depreciation	33,559	(208,761)	(175,202)
Depreciation and amortization expense	(209,957)	-	(209,957)
Operating income	<u>(176,398)</u>	<u>(208,761)</u>	<u>(385,159)</u>
Non-operating revenue (expense):			
Interest expense	(19,571)	-	(19,571)
Investment returns	473,247	86,390	559,637
Internal transfers	327,246	(327,246)	-
Total non-operating (expense) revenue, net	<u>780,922</u>	<u>(240,856)</u>	<u>540,066</u>
Changes in net position	604,524	(449,617)	154,907
Net position, beginning of period	<u>10,070,622</u>	<u>581,948</u>	<u>10,652,570</u>
Net position, end of period	<u>\$ 10,675,146</u>	<u>132,331</u>	<u>10,807,477</u>

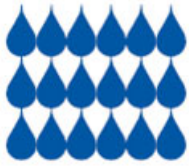
Chino Basin Watermaster
Combining Schedule of Net Position
June 30, 2024

	<u>General Fund</u>	<u>Pool Fund</u>	<u>2024</u>
Current assets:			
Cash and cash equivalents	\$ 11,693,858	-	11,693,858
Accounts receivable	1,303,493	-	1,303,493
Accrued interest receivable	7,171	-	7,171
Due from General Fund	-	581,948	581,948
Prepaid expenses and other current assets	36,657	-	36,657
Total current assets	<u>13,091,179</u>	<u>581,948</u>	<u>13,673,127</u>
Non-current assets:			
Capital assets, net	983,347	-	983,347
Total non-current assets	<u>983,347</u>	<u>-</u>	<u>983,347</u>
Total assets	<u>14,074,526</u>	<u>581,948</u>	<u>14,656,474</u>
Deferred outflows of resources:			
Deferred OPEB outflows	91,055	-	91,055
Deferred pension outflows	811,933	-	811,933
Total deferred outflows of resources	<u>902,988</u>	<u>-</u>	<u>902,988</u>
Current liabilities:			
Accounts payable and accrued expenses	962,078	-	962,078
Accrued salaries and benefits	36,023	-	36,023
Due to Pool Fund	581,948	-	581,948
Long-term liabilities – due within one year:			-
Compensated absences	181,839	-	181,839
Leases payable	137,947	-	137,947
Total current liabilities	<u>1,899,835</u>	<u>-</u>	<u>1,899,835</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Leases payable	678,397	-	678,397
Net OPEB liability	275,478	-	275,478
Net pension liability	1,913,265	-	1,913,265
Total non-current liabilities	<u>2,867,140</u>	<u>-</u>	<u>2,867,140</u>
Total liabilities	<u>4,766,975</u>	<u>-</u>	<u>4,766,975</u>
Deferred inflows of resources:			
Deferred OPEB inflows	139,917	-	139,917
Total deferred inflows of resources	<u>139,917</u>	<u>-</u>	<u>139,917</u>
Net position:			
Net investment in capital assets	167,003	-	167,003
Unrestricted	9,903,619	581,948	10,485,567
Total net position	<u>\$ 10,070,622</u>	<u>581,948</u>	<u>10,652,570</u>

Chino Basin Watermaster
Combining Schedule of Revenue, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2024

	<u>General Fund</u>	<u>Pool Fund</u>	<u>2024</u>
Operating revenues:			
Administrative assessments	\$ 9,187,986	677,000	9,864,986
Replenishment water revenue	349,825	-	349,825
Other revenue	186,443	-	186,443
Total operating revenue	<u>9,724,254</u>	<u>677,000</u>	<u>10,401,254</u>
Operating expenses:			
Groundwater replenishment and other water purchases	1,920,791	-	1,920,791
Optimum basin management plan	4,974,213	-	4,974,213
Watermaster administration	3,911,875	-	3,911,875
Pool, advisory, and board administration	514,516	433,166	947,682
Total operating expense	<u>11,321,395</u>	<u>433,166</u>	<u>11,754,561</u>
Operating income before depreciation	(1,597,141)	243,834	(1,353,307)
Depreciation and amortization expense	(182,093)	-	(182,093)
Operating income	<u>(1,779,234)</u>	<u>243,834</u>	<u>(1,535,400)</u>
Non-operating revenue (expense):			
Reserve distribution	(1,542,183)	-	(1,542,183)
Interest expense	(22,197)	-	(22,197)
Investment returns	644,453	83,413	727,866
Total non-operating revenue, net	<u>(919,927)</u>	<u>83,413</u>	<u>(836,514)</u>
Changes in net position	(2,699,161)	327,247	(2,371,914)
Net position, beginning of period	<u>12,769,783</u>	<u>254,701</u>	<u>13,024,484</u>
Net position, end of period	<u>\$ 10,070,622</u>	<u>581,948</u>	<u>10,652,570</u>

Report on Internal Controls and Compliance



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Chino Basin Watermaster Board
Rancho Cucamonga, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Chino Basin Watermaster (Watermaster) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprises the Watermaster's basic financial statements, and have issued our report thereon dated October 23, 2025.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Watermaster's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Watermaster's internal control. Accordingly, we do not express an opinion on the effectiveness of the Watermaster's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Watermaster's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Watermaster's internal control or on compliance. This report is an integral part of audits performed in accordance with *Government Auditing Standards* in considering the Watermaster's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
October 23, 2025